

**Department of Health and Human Services  
Division of Licensing and Regulatory Services  
State House, Augusta, Maine  
Preliminary Analysis**

**Date:** 08/29/2007

**Project:** Proposal by InSight Premier Health, LLC

**Prepared by:** Phyllis Powell, Certificate of Need Manager  
Steven R. Keaten, Health Care Financial Analyst

**Directly Affected Party:** Mercy Hospital

**Recommendation:** DISAPPROVE

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Estimated Capital Expenditure per Applicant	\$787,500
Approved Capital Expenditure per CON	\$0
Maximum Contingency per CON	\$0
Total Approved Capital Expenditure with Contingency	\$0
Capital Investment Fund Impact per CON	\$0

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The following preliminary staff assessment is based solely on the record established to date and recommends that the proposal be **disapproved**.

## **INTRODUCTION**

“InSight- Premier Health LLC, plans to purchase and place into service a 16 slice CT scanner at its Marshwood Imaging Center located at 33 Gorham Road, Scarborough, ME 04074.”

“A 16 slice CT scanner will provide patients and physicians the option of having a scan at an independent diagnostic testing facility (IDTF), more quickly and at less cost than other currently available locations.”

“We are offering the opportunity for future demand of the routine CT studies to shift from current higher cost providers to the IDTF healthcare delivery model. This is expected to save the healthcare system in Maine \$1.8 million annually.”

“Key items addressed in more depth within this application are as follows:

- Match future growth with clinical need.
  - This project will focus on the routine CT service needs and save the state \$1.8 million per year.
  - Approximately 63% of all CT scans are performed on an outpatient/ambulatory basis.
  - Other providers in the area have upgraded or plan to upgrade their CT equipment to 64 slice or higher equipment. These location specific upgrades should continue where appropriate (i.e., hospitals) to serve the patient population who need that level of diagnostic sophistication.
  - However, many of the 64 slice and higher units are being underutilized from a technology perspective because for a majority of clinical indications a 16 slice unit is sufficient as a diagnostic tool.
- As future demand increases Marshwood will become a low cost relief valve for demand.
  - Demand for CT scanning is projected to grow at least 10% per year.
  - Marshwood will match the clinical need with the clinically appropriate level of diagnostic equipment, at a lower cost to the healthcare system.
  - The technical component of reimbursement for CT services at an IDTF is typically 50% of non IDTF facilities.
  - Currently there are no IDTFs that offer this service to patients in Maine. Marshwood will be the first.
- With a 16 slice CT we will match routine CT needs with the appropriate level of diagnostic test.
  - Routine CT testing does not require the very high end and more costly 64, 128, 256 slice CT units. In many cases, the abilities of these higher end CT units are greater than what is needed to diagnose the illness of injury.

- Marshwood believes that we need to have highly sophisticated services available at hospitals when we need them (and payers will pay a premium when it is necessary). However, payers should not pay a premium if a premium is not necessary.
- Lower cost to provide Diagnostic Imaging Services
  - Lower cost equipment
  - Low cost infrastructure
  - Lower reimbursement paid by insurance companies.
    - IDTF reimbursement for services is lower than those at hospital facilities.
    - A comparison of the TC reimbursement between hospitals and the IDTF reveals a saving of up to \$600 per scan.
    - Marshwood projects approximately 3000 scans per year.
    - Marshwood will offer the opportunity for future demand of routine studies to shift from current higher cost more sophisticated technology providers to the 16-slice IDTF model. This is projected to save the healthcare system in Maine up to \$1.8 million annually.
- Consistent service to existing provider base
  - As it currently does for MRI services, Marshwood will offer an alternative service for the ambulatory patient.
  - The majority of the physician base expected to utilize Marshwood for CT services are already familiar and very pleased with our current service model for MRI. We expect this service model to be adopted for CT as well.”

## **I. Project Description**

### **A. From Applicant**

“Hospitals in the greater Portland, Maine service area are moving to 64 slice and higher CT scanners to accommodate very high end non-routine CT scan needs. However, approximately 90% of all CT scans are more routine scans, and can be performed by a 16 slice scanner at an independent diagnostic testing facility at comparatively lower cost. See Exhibit E at pages 2 and 3.” *(Not attached. On file at CONU.)*

“The volume of CT scanning is projected to grow at least 10% per year. See Exhibit F at page 2. *(Not attached. On file at CONU.)* Thus, we project that the 64 slice scanners in the service area will experience continued increased demand. We are aware that current demand causes some patients to wait over a week for their CT scan. In addition, ambulatory patients who are less acute and require a more routine scan are sometimes forced to reschedule because hospital inpatient and ER patients with acute clinical issues require an immediate scan and take scheduling priority over routine scans.”

“Because approximately 63% of all CT scans are performed on an outpatient basis, and the vast majority of these can appropriately be performed by a 16 slice scanner at lower cost, InSight- Premier

Health LLC, plans to purchase and place into service a 16 slice CT scanner at its Marshwood Imaging Center located at 33 Gorham Road, Scarborough, ME 04074.”

“A 16 slice CT scanner will provide patients and physicians the option of having a scan at an independent diagnostic testing facility, more quickly and at less cost than the hospital setting, and will better match the service with the clinical need.”

“Marshwood Imaging Center  
33 Gorham Road  
Scarborough, ME 04074”

“The proposed CT is an additional diagnostic modality to complement the current MRI and x-ray services provided at Marshwood Imaging Center.”

“Marshwood anticipates a number of benefits to the public associated with this proposed project including:”

- The ability of ambulatory patients in the service area to quickly and reliably access CT services at an IDTF;
- The ability of patients and physicians to schedule the service within days and often on the same day as opposed to weeks;
- Lower cost--as previously discussed, Marshwood will provide 16 slice CT scan services at a lower cost than the alternative—the 64 slice units at area hospitals;
- There is no risk of over-utilization on account of self referrals because Marshwood is not in a position to self refer patients; and
- With Spectrum Medical Group radiologist already on site for MRI services, patients and physicians will enjoy very quick turn-around for CT scan reads, allowing the ordering physician to immediately implement a patient care plan.

“As discussed, this project will facilitate same day or at least next day service. In addition, because of the relationship with Spectrum Medical Group, Marshwood and its patients enjoy very quick turn around times on scan reads.”

“This project will also promote the appropriate use of technology and equipment. A substantial number of patients do not need a CT scan by a 64 slice or higher unit. Rather, a 16 slice CT scan is all that is needed. This project will help to match the clinical need with the service, with resulting lower costs.”

“As noted above, Marshwood made a substantial investment in electronic medical records. The CT unit will participate in the Maine Health PACS system/initiative, which will allow for a network wide comprehensive review of the patient results as needed by the ordering physician/medical care team.”

“Current CT services in the service area are either hospital based or physician practice owned. This proposed project will not impact the physician practice owned CT units because the physician practice owned units can only scan patients of the physician practice owners—other area physicians cannot refer their patients.”

“We do not expect that this proposed project will adversely impact the quality of care at any providers. There may be a positive impact on quality of care in some cases because of the ability to offer same day or next day scheduling and very quick turn around on scan reads.”

“This proposed project may have limited impact on volumes at hospitals in the service area, but given the week or more wait for CT scans at area hospitals and the expected future growth in demand for CT services, we do not anticipate any significant or longterm negative impact on other providers of this service.”

“As discussed above, costs to other providers likely will not be impacted due to current and anticipated future demand. In fact, if this proposed project is implemented, the service provided by existing providers with 64 or greater slice CT units will be better matched to the clinically required level of diagnostic equipment.”

“This equipment will be placed in existing space at Marshwood.”

“The implementation plan and schedule is straightforward. We hope for approval to go ahead with this project in the fall of 2007. We will then order the 16 slice scanner and renovate and build out the CT room for installation and provision of service projected in late 2007 or early 2008.”

“The Installation of the new fixed CT unit will require interior renovations to our diagnostic imaging center in Scarborough. Marshwood is a single story wood framed structure. The construction will include movement of 1 wall and shielding to accommodate CT scanning. The area is approximately 500 square feet, currently available in the existing building See Exhibit G.” *(Not attached. On file at CONU.)*

“This project does not involve construction at a new site.”

“To the extent applicable, the anticipated contractor, Alliance Construction, will use best practices consistent with all applicable building codes.”

“Marshwood does not experience capital expenditures in a manner that would permit or have a need for a historic rate of capital growth measure.”

“As discussed, demand for CT scanning is projected to grow at least 10% per year. This project will provide physicians and patients with a lower cost option for more routine scans, while leaving the high end scans for the hospital based units.”

“This project does not involve a change in licensed capacity.”

“This project does not involve a change in ownership.”

## **B. CONU Discussion**

InSight-Premier Health, LLC has submitted a proposal to add CT imaging services at their Marshwood Imaging Center in Scarborough, Maine. InSight-Premier Health, LLC currently offers MRI imaging at several locations in Maine but does not offer any CT imaging at any of these locations. This will be considered a new health service for InSight Premier Health, LLC.

InSight Premier Health, LLC requests approval to introduce a 16-slice CT unit in Scarborough that can be used by all patients and physicians. According to the applicant, it will allow more timely (same day or next day) and less costly CT scans than are currently available in the service area.

## **Conclusion**

The applicant has submitted information into the record that demonstrates this is not a viable project. See Sections III, IV, V, VI, VII, VIII and XI of this analysis.

## **II. Profile of the Applicant**

### **A. From Applicant**

“InSight-Premier Health, LLC, DBA Marshwood Imaging Center.  
33 Gorham Road  
Scarborough, ME 04074”

“InSight-Premier Health, LLC (“IPH”) is a for-profit Limited Liability Company that operates Marshwood Imaging Center (“Marshwood”).”

“Marshwood is an Independent Diagnostic Testing Facility (“IDTF”).”

“Patients currently serviced by Marshwood’s MRI unit are typically office based ambulatory patients, the vast majority of whom reside in the greater Portland, Maine service area. We expect and project the same greater Portland, Maine service area for CT services. Marshwood identifies its patient service area by reviewing patient zip code information. See Exhibit A (Patient Zip Code Dispersion for MRI services).”

“Marshwood currently provides approximately 3800 MRI and x-ray services per year. Marshwood currently has 8 FTE’s to provide these services.”

“The 16 Slice CT Scanner for this proposed project has a capacity of approximately four scans per hour. We expect to hire one CT technologist and project initial volume to require approximately 1.25 total FTEs (.75 CT tech., .25 CT tech. assistant and .25 administrative).”

“InSight Health Corp. was formed in June 1996 as a result of a merger between American Health Services Corporation and Maxum Health Corporation. InSight Health Corp. is headquartered in Lake Forest, California.”

“Premier Health, LLC was organized in the State of Maine in June 2000 to pursue various business opportunities in Maine, including this joint venture with InSight Health Corp. Seventy five (75) individual investors, all of whom are current or former employees of Spectrum Medical Group and its affiliated companies comprise Premier Health.”

“InSight-Premier Health, LLC was organized in the State of Maine in June 2000 to pursue various business opportunities in Maine, including this joint venture with Premier Health, LLC.”

“Premier Health, LLC is located at the offices of Spectrum Medical Group, 300 Professional Drive, Scarborough, Maine 04074.”

“InSight-Premier Health, LLC is located at 11 Medical Center Drive, suite 1, Brunswick, Maine 04011.”

“InSight-Premier Health, LLC has been involved with the following health care facilities and services:”

- Marshwood Imaging Center – MRI & X-Ray Service
- Open MRI of Bangor – MRI & X-Ray Service
- Open MRI of Brunswick – MRI & X-Ray Service
- Bridgton Hospital – MRI Service
- Miles Memorial Hospital – MRI service
- Maine Medical Center – MRI Service
- Eastern Maine Medical Center – MRI Service
- Inland Hospital – MRI Service
- Redington Fairview Hospital – MRI Service
- Franklin Memorial Hospital – MRI Service ( no longer servicing)
- Parkview Hospital – MRI Service ( no longer servicing)
- Intermed – MRI Service
- Blue Hill Memorial Hospital

“InSight Health Corp. has been involved with the following health care facilities and services:”

- InSight Premier Health – Partner
- Maine Molecular Imaging - Partner – PETCT Services
  - Maine Health
  - Premier Health
- Central Maine Imaging Center – Partner – Multi Modality Imaging Center
  - Androscoggin Inc(Central Maine Healthcare)
  - X-Ray Professional Association

“Premier Health, LLC has been involved with the following health care facilities and services:”

- Spectrum Medical Group

“Marshwood Imaging Center has been accredited by the American College of Radiology (“ACR”) for MRI service. In January 2007, Marshwood replaced an MRI system. The ACR re-accreditation process for this new equipment is scheduled to begin in the spring of 2007.”

“The radiologists who would perform the professional component for the CT services we propose to provide at Marshwood are list at Exhibit B. These radiologists currently perform the professional component for MRI services provided at Marshwood. Typically two radiologists from the Spectrum Medical Group are on site at Marshwood. These radiologists would be on site at Marshwood to continue to support the MRI services and the proposed CT services.”

“As noted above, Marshwood is currently in the process of re-accrediting with ACR (because of new equipment) and we expect to maintain that accreditation. Marshwood currently has a quality assurance program in place for MRI services, and Insight Health Corp. has a quality assurance program for CT services provided at other sites. In addition, the Spectrum Medical Group has an internal quality assurance process. If this project is approved, Marshwood will implement a quality assurance program for CT services, and will benefit from and participate in Spectrum Medical Group’s quality assurance process.”

“Historical and projected financial performance of Marshwood Imaging Center are at Exhibit C. Marshwood CT financial projections are at Exhibit D.” *(Not attached. On file at CONU.)*

“ACR accreditation requires continued quality assurance processes and Marshwood expects to re-accredit the MRI services this spring.”

“InSight Health Corp. has written policies and procedures for radiation safety and conducts regular employee reviews to ensure proper procedures are being followed in risk areas, such as patient consent for contrast injections. InSight Premier Health, LLC and Marshwood will utilize these policies and procedures for this CT scanner. In addition, Marshwood will comply with all state radiation compliance regulations. Finally, a qualified physicist will perform acceptance testing and annual testing thereafter.”

## **B. CONU Discussion**

### **i. Criteria**

That the applicant is fit, willing and able to provide the proposed services at the proper standard of care as demonstrated by, among other factors, whether the quality of any health care provided in the past by the applicant or a related party under the applicant’s control meets industry standards.

### **ii. Analysis**

The Division of Licensing and Regulatory Services, Medical Facilities Unit confirmed that InSight-Premier Health, LLC’s current MRI imaging facilities are not facilities that they are required to license. CT machines in Maine are required to be inspected and licensed by the Maine Center for Disease Control & Prevention, Division of Environmental Health, Radiation Control Program for



radiation safety. The applicant has stated that they intend to follow written policies and procedures for radiation safety that is available through an affiliate where CT imaging is performed and agree to comply with all state radiation compliance regulations. The applicant states that Marshwood Imaging Center has been accredited by the American College of Radiology for MRI service and is undergoing ACR re-accreditation for new MRI equipment that was purchased this year. InSight Premier Health, LLC's affiliated entities perform CT imaging in other states.

The applicant has shown a long standing ability to provide imaging procedures through an accredited program and is Medicare and MaineCare certified.

### **iii. Conclusion**

Based on the discussion above the CONU recommends that the Commissioner determine that the applicant is fit, willing and able to provide the proposed services at the proper standard of care.

## **III. Capital Expenditures, Financing and Compliance**

### **A. From Applicant**

"See Exhibits C& D for financial information." *(Not attached. On file at CONU.)*

"The purchase price of the CT unit is based on comparison of like equipment purchased by InSight Health Corp. The cost of renovations and installation was estimated by Alliance Construction and based on recent renovations for the MRI replacement."

"Depreciation is based on 5 yr straight line schedule."

"This project is straightforward in that it involves the purchase of equipment and renovation of existing space."

"InSight Premier is in good standing with its lenders and could obtain financing as necessary. However, the final decision regarding the source of capital for the project is yet to be determined and may include cash payment."

"Marshwood expects to hire one CT technologist at about .75 FTE's, and also use an existing diagnostic imaging tech assistant and office administrative support staff at .25 FTE's each."

"We do not anticipate any difficulty recruiting a CT technologist."

"Staff turnover rates for Marshwood are very low."

"This proposed project does not involve an increase in existing services. It is a new service."

"We are projecting approximately 3000 scans per year."

“A comparison of the technical component reimbursement between hospitals and the IDTF reveals a saving of up to \$600 per scan. We expect that a shift of the routine studies from current providers of this service to Marshwood will save the health system in Maine 1.8 million dollars annually (3000 scans X \$600 per).”

“Marshwood currently participates with virtually all insurance carriers, including Medicare and MaineCare. Marshwood expects to continue to participate with virtually all carriers, including Medicare and MaineCare, with this proposed project.”

“This project is consistent with the medical use within the building. Marshwood does not expect any issues with permitting and zoning.”

“This proposed project is in an existing structure. Therefore, it will prevent rather than contribute to sprawl.”

## **B. CONU Discussion**

### **i. Criteria**

The economic feasibility of the proposed services is demonstrated in terms of:

- Capacity of the applicant to support the project financially over its useful life, in light of the rates the applicant expects to be able to charge for the services to be provided by the project;
- Applicant’s ability to establish and operate the project in accordance with existing and reasonably anticipated future changes in federal, State and local licensure and other applicable or potentially applicable rules;

### **ii. Analysis**

The CONU financial analysis considered information supplied by the applicant and generally accepted accounting standards in determining the financial capability of the hospital to support this proposed project.

The review of financial indicators is important because they present a fair and equitable representation of the financial health of an organization and can present appropriate comparisons. This provides a sound basis for a determination of whether the applicant has the ability to commit the financial resources to develop and sustain the project. While there are a number of indicators that are used in the industry, the ones applied to this review have been selected due to their direct relevance to the financial health of the applicant. The following analysis is based upon information contained in the record.

The pro-forma financial statements submitted by the applicant and made part of the record were incomplete and did not include full pro-forma financial statements for the years FYE 2007-2010.

**Profitability**

An adequate operating margin is a key indicator of the financial health of an entity.

	2005 InSight	2006 InSight	2010 InSight Proforma
Operating Margin	10.16%	3.95%	Unknown

The pro-forma financial statements submitted by the applicant and made part of the record were incomplete and did not include full pro-forma financial statements for the years FYE 2007-2010. The applicant projects an operating margin on just the CT operation at 37.37 %. This would be very profitable for the applicant.

**Liquidity**

Liquidity measures an entity's ability to manage change and provide for short-term needs for cash. Liquidity alleviates the need for decision making to be focused on short term goals and allows for more efficient planning and operation of a hospital.

Days Cash On Hand is a ratio that is industry accepted, easily calculated, and used to determine an entity's ability to meet cash demands.

	2005 InSight	2006 InSight	2010 InSight Proforma
Days Cash on Hand	30.35 Days	32.19 Days	Unknown

The pro-forma financial statements submitted by the applicant and made part of the record were incomplete and did not include full pro-forma financial statements for the years FYE 2007-2010.

The applicant anticipates that this project will generate positive cash flow as indicated in the project specific pro-formas included in the application.

**Capital Structure Ratios**

Many long term creditors and bond rating agencies evaluate capital structure ratios to determine an entity's ability to increase its amount of financing. Debt service coverage is the most widely used capital structure ratio. Debt service coverage minimums are often seen as loan requirements when obtaining financing. Debt service coverage is the ratio of earnings plus depreciation and interest expense to debt service requirements.

	2005 InSight	2006 InSight	2010 InSight Proforma
Debt Service Coverage	6.81	5.68	Unknown

The pro-forma financial statements submitted by the applicant and made part of the record were incomplete and did not include full pro-forma financial statements for the years FYE 2007-2010.

### **Fixed Asset Financing**

Activity ratios indicate the efficiency with which a firm uses its resources, typically to generate revenue. Activity ratios can present a complicated picture because they are influenced both by revenues and the value of assets owned by the organization.

	2005 InSight	2006 InSight	2010 InSight Proforma
Fixed Asset Financing	66.0	63.0	Unknown

The pro-forma financial statements submitted by the applicant and made part of the record were incomplete and did not include full pro-forma financial statements for the years FYE 2007-2010.

### **Efficiency Ratios**

Total asset turnover (TAT) provides an index of the number of operating revenue dollars generated per dollar of asset investment. Higher values for this ratio imply greater generation of revenue from the existing investments of assets.

	2005 InSight	2006 InSight	2010 InSight Proforma
Total Asset Turnover	1.07	1.32	Unknown

The pro-forma financial statements submitted by the applicant and made part of the record were incomplete and did not include full pro-forma financial statements for the years FYE 2007-2010.

The parent entity, InSight Health Services Holding Corp. filed for bankruptcy in California on May 29, 2007 with a “prepackaged” reorganization plan aimed at reducing debt. They emerged from bankruptcy on August 1, 2007 following a successful two-month prepackaged restructuring, InSight has eliminated \$194.5 million of long-term debt, and strengthened its balance sheet. InSight also announced that it has obtained from Bank of America, N.A. a credit line of up to \$30 million that will be used to provide working capital for ongoing operations.

An analysis of the Marshall & Swift valuation system comparison was not performed on this project as this is a renovation project not new construction.

### **iii. Conclusion**

The applicant did not provide pro-forma financial statements that would allow the CONU to adequately analyze the financial strength of the applicant.

For this reason, the CONU could not determine if the applicant can support this project financially over its useful life.

CONU recommends the Commissioner determine that the economic feasibility of the project has not been demonstrated.

## **IV. Needs to be Met**

### **A. From Applicant**

“Patients currently serviced by Marshwood’s MRI unit are typically office based ambulatory patients, the vast majority of whom reside in the greater Portland, Maine service area. We expect and project the same greater Portland, Maine service area for CT services. Marshwood identifies its patient service area by reviewing patient zip code information. See Exhibit A (Patient Zip Code Dispersion for MRI services).”

“This is a new service and there is no historical pattern. We have projected use based on MRI utilization. See Exhibit E pg 4.” (*Not attached. On file at CONU.*)

“Current capacity of the CT units in the area is barely able to meet current demand, as evidenced by up to 1 -2 week wait times. The anticipated demand in 3 years will be upwards of 70,000 CT scans in the greater Portland service area (10% per year demand growth on 51,134 current capacity for CT procedures—Exhibits E and F). (*Not attached. On file at CONU.*) This projected volume will need additional capacity, especially in the routine ambulatory market.”

“It is important to remember that this proposed project focuses on a distinct and separate market for CT services, the 16 slice market. Marshwood does not believe it is appropriate to consider the total capacity, including 64 slice scanners, with their increased cost to payers.”

“Current capacity in the greater Portland area is approximately 51,134 CT scans, with one to two week waiting periods. Marshwood projects 10% growth per year as stated in the IMV Benchmark Report at page 2, which will result in upwards of 70,000 CT scans in the greater Portland area by 2010. In addition, Marshwood looked at its current MRI volume of approximately 4000 MRI exams and compared it to the CT to MRI ratio of 2.7 as indicated in Marshwood’s preliminary analysis, resulting in a potential of 10,800 CT scans. See Exhibits E and F. Based on this data, we are projecting a conservative initial volume of 3000 CT scans per year.”

“Again, it is important to remember that this proposed project focuses on a distinct and separate market for CT services, the 16 slice market. There is a current large demand and market for lower cost 16 slice CT units in the greater Portland service area.”

“This proposed project has a significant capacity to satisfy future demand, based on current projections of 3000 CT scans per year. Marshwood projects that it will initially perform approximately 3000 CT scans per year, with the ability to scan up to 8000 per year.”

“This proposed project will improve access to the ambulatory patient population in the Greater Portland Service Area. As previously discussed the current capacity for CT services will not meet future demand. Marshwood will be able to address this expected future demand at a lower cost than hospital based units. Marshwood currently does and will continue to offer diagnostic imaging service to all patients, regardless of their ability to pay.”

## **B. CONU Discussion**

### **i. Criteria**

That there is a public need for the proposed services as demonstrated by certain factors, including, but not limited to:

- Whether, and the extent to which, the project will substantially address specific health problems as measured by health needs in the area to be served by the project;
- Whether the project will have a positive impact on the health status indicators of the population to be served;
- Whether the services affected by the project will be accessible to all residents of the area proposed to be served; and
- Whether the project will provide demonstrable improvements in quality and outcome measures applicable to the services proposed in the project;

### **ii. Analysis**

The applicant has provided documentation that suggests demand for outpatient CT imaging services is projected to grow in the greater Portland service area. However, the applicant has not indicated what health problems in the area need to be served by the project or how the project will substantially address those problems. Outpatient CT imaging services are currently provided at several locations in the Portland service area that include hospitals and physician office practices. The applicant stated in the record:

- That demand for CT imaging is expected to grow 10% per year for the next 3 years;
- Wait times in the Portland service area can be as long as 1-2 weeks;
- A need for 16 slice imaging in the Portland services area for the routine ambulatory market;
- They could perform CT imaging at a much reduced cost than hospitals.

Mercy Hospital registered as a person directly affected by this review on April 25, 2007. On June 14, 2007 Mercy hospital sent in written comments regarding this application. They asserted an additional 16 slice CT scanner was not needed in the Portland service area for the following reasons:

- 9 CT scanners already exist in the relatively small 25-mile radius of the Portland service area with four of these scanners being 16 slice;
- No 2 week wait time exists at Mercy Hospital for patients to get a CT scan, emergency patients CT scans are available 24 hours a day, seven days a week and outpatient CT scan appointments are generally available within 3-5 days.
- Future demand has been addressed by the approval of an additional CT unit to be added at Mercy Hospital by September 2008.
- InSight's proposal is not consistent to the State Health Plan as the project would not reduce costs, it would create a duplication of services and potentially increase utilization.

InSight attempted to respond to Mercy Hospital's concerns in a letter dated June 28, 2007 but did not justify the need for an additional 16 slice CT scanner in the Portland service area as stated below.

The applicant failed to provide quantifiable data that would have justified the need for this project, such as:

- The applicant did not provide any information relative to where patients are waiting 1-2 weeks for a CT imaging to be performed or the frequency of this assertion;
- The applicant did not take into consideration that two additional CT's may be added in the near future in the Portland service area at Mercy Hospital and Maine Medical Center;
- The applicant did not provide any information on the number of CT's that are currently being performed that could have been done with a 16 slice CT versus a larger slice CT and what percent of expected CT growth would be in the 16 slice market;

The applicant has also not demonstrated that the project will provide demonstrable improvements in quality and outcome measurers. In fact, the MQF expressed that this application appears to have the potential of a negative impact on quality by increasing overuse potential of CT outpatient imaging procedures. The MQF commissioned a geographical variation study of advanced imaging use in Maine for the diagnoses of abdominal/pelvic pain and back pain from January 2003 – June 2005 and the study showed that advanced imaging for the described diagnoses in the Portland service area was at average for the State.

### **iii. Conclusion**

The applicant failed to provide quantifiable data as identified above to substantiate that this project will substantially address specific health problems as measured by health needs in the area to be served by this project; what positive impact of the health-status indicators of the population to be served are; and failed to provide demonstrable improvements in quality and outcome measurers applicable to the services proposed in this project.

CONU recommends that the Commissioner determine that the public need for this project has not been established.

## **V. Alternatives Considered**

### **A. From Applicant**

“When Marshwood considered the provision of CT service, it looked at 64 slice and higher CT units. We determined that it did not make sense to install a 64 slice unit because the expected patient base did not need that level of sophistication and associated additional cost. Additionally, we expect that future hospital based upgrades will include this higher level technology and cost.”

“The market analysis did, however, demonstrate a need for low cost routine CT service. Thus, we are proposing the installation of a 16 slice CT unit in an outpatient / independent diagnostic imaging facility.”

### **B. CONU Discussion**

#### **i. Criteria**

The proposed services are consistent with the orderly and economic development of health facilities and health resources for the State as demonstrated by:

- The impact of the project on total health care expenditures after taking into account, to the extent practical, both costs and benefits of the project and the competing demands in the local service area and statewide for available resources for health care;
- The availability of State funds to cover any increase in State costs associated with utilization of the project’s services; and
- The likelihood that more effective and accessible, or less costly. Alternative technologies or methods of service delivery may become available.

#### **ii. Analysis**

The applicant did not provide the CONU with its payor mix to determine what impact if any to the State budget.

In addition the applicant did not take into consideration that two additional CT’s may be added in the Portland region in the very near future from existing service providers.

#### **iii. Conclusion**

In absence of a determination of need (Sec. IV), and the potential additional costs to MaineCare, CONU recommends that the Commissioner determine that the proposed project is not consistent with the orderly and economic development of health facilities.



## **VI. State Health Plan**

### **A. From Applicant**

“First, the State Health Plan gives priority to projects that lower health care costs. As explained below, this project will lead to a decrease in the unnecessary utilization of higher cost CT services.”

“Independent diagnostic imaging facilities are reimbursed for services at a lower rate than hospitals. Thus, in the short term, instead of physicians referring patients to the hospital setting for higher cost 64 slice CT scans, which are often not necessary based on the clinical indication. Physicians and patients will have the option of a lower cost and more convenient 16 slice CT for more routine scans.”

“Looking further ahead, the demand for CT services is expected to grow at a rate of at least 10% per year. As CT scans continue to be utilized for expanding clinical indications, we expect the demand for the 64 slice and higher CT scanners to increase. As future demand increases, we expect continued pressure on the hospital based system to treat the acute inpatient and ER patients. Marshwood will become an immediate, reliable lower cost option for the more routine scans by matching the clinically appropriate level of diagnostic equipment with the clinical need.”

“Second, the State Health Plan gives priority to applicants that make real investments in electronic medical records. Marshwood has made real investments in electronic medical records. Marshwood’s MRI service currently is connected to Maine Health’s PACS system/initiative, with significant startup and connectivity costs. The proposed 16 slice CT unit will participate in the Maine Health PACS system/initiative at no additional cost.”

“Marshwood appreciates the concern expressed in the State Health Plan about “supply sensitive care” and imaging procedures. We think it is very important to point out that, unlike units that are located in or owned by a physician practice or hospital, Marshwood has absolutely no ability to influence patient referrals. If we experience less scans than projected, then there is nothing we can do to increase the number of scans. In addition Marshwood notes that Maine compares favorably to other states in CT procedures per 1000 of population. See Exhibit F at page 13.”

### **B. CONU Discussion**

#### **i. Criterion**

Is consistent with the State Health Plan. For this determination, the Commissioner will be guided by the priority criteria set forth in the State Health Plan. Those projects meeting the greatest number of criteria in any of the relevant priority groupings will be given the highest priority and consideration for approval by the Commissioner.

**State Health Plan goals targeted by****State Health Plan Priority****Applicant include:**

Real investment in MHINT and EMR systems  
 Contribute to lower cost of care and increased efficiencies  
 Less than a 0.5% increase on regional insurance premiums

High Priority  
 High Priority  
 High Priority

**ii. Analysis**

*The CONU received the required assessment by Dora Mills, M.D. Director, Maine Center For Disease Control and Prevention to Phyllis Powell, CON Manager, Division of Licensing and Regulatory Services, which was sent via e-mail dated June 1, 2007. Dr. Mills makes the following comments:*

“InSight-Premier Health proposes to purchase and operate a 16-slice CT scanner at a free-standing imaging center in Scarborough. The purpose will be to provide the lower cost 16-sliced CT scan, in view of others moving toward 64-slice scanners.”

“Most of the State Health Plan’s priorities are not applicable to this project, except possibly those referring to cost savings and electronic medical records (EMR). The applicant states that by offering a less expensive type of CT scan, approximately \$1.8 million in health care costs in Maine could be possibly saved annually. However, this argument appears to assume that CT scans that would have been ordered using more expensive CT scanners would be ordered instead using this less expensive one. Repeatedly, studies and data indicate something different - that with more equipment and technologies, more tests are ordered, therefore driving up costs. The applicant does state that they have invested in electronic medical records that are connected to Maine Health’s PAC system.”

“There are no specific health needs or health status indicators that are proposed to be addressed. It is unclear if the CT scan services will be offered to all in the service area, for instance, those who lack any mechanism to pay. The project does not provide demonstrable improvements in quality measures.”

*William A. Bremer, Bureau of Insurance assessment memorandum to Phyllis Powell, Manager CONU dated June 28, 2007 states the following:*

“The Bureau of Insurance applied the assessment model that was previously developed internally with support from its consultant, Milliman, Inc., of Minneapolis, MN, in order to develop an estimate of the impact that this CON project is likely to have on private health insurance premiums in the applicant’s service area and in the entire state of Maine. I have worked with you and your staff at the CON Unit, using data and support from the U.S Census Bureau, the State Planning Office, the State Office of Integrated Access and Support, and the Bureau of Insurance, as well as Stephen Randall, Director of Operations, Insight Premier Health, LLC to perform this assessment.”

“The assessment compares the CON project’s Year 3 (calendar year 2010) estimated per capita premium (based on 2010 estimated population, service volume, and incremental revenue—the available data) to the estimated private health insurance average premium per person for the current

period (Y/E 6/30/07)—which is the period of time for which the 2006-2007 capital investment fund has been established. This results in a mismatch in time between the numerator (Y/E 12/31/10) and the denominator (Y/E 6/30/07), which overstates the impact of the project on statewide and regional premiums as developed by the model. Recognizing this problem, I have reduced the values developed by the model by 10%. As a result, I estimate that the potential impact of this CON project on private health insurance premiums in Marshwood Imaging Center's service area for the project's third year of operation will be approximately \$0.0010 per \$100 (0.10%) of premium. I further estimate that this project, in its third year of operation, will have an impact on statewide private health insurance premiums of approximately \$0.0002 per \$100 (0.02%) of premium."

### **iii. Conclusion**

The CONU considered the assessment from the Maine Center For Disease Control and Prevention and the assessment from the Bureau of Insurance (BOI) as noted above. InSight has demonstrated that the project will result in less than a 5% increase on regional insurance premiums according to the assessment from the BOI.

InSight has invested in a medical records systems and is connected to Maine Health's PACS system/initiative however, this application contains nothing new in making a real investment in MHINT and EMR systems that are not already in place.

The CONU agrees with the assessment by the BOI. The State Health Plan recognizes a project cannot be considered a priority if the regional cost to third party payors exceed an increase greater than .5%. The BOI concluded this project will have an impact of less than .5% to regional insurance costs.

Even though this project does not exceed the .5% criterion, the applicant has not provided enough quantifiable data to support the assertion it will contribute to lower cost of care as referenced in our analysis and conclusion in the Needs Section IV.

CONU recommends that the Commissioner determine that this project does not meet the requirements of the State Health Plan.

## **VII. Outcome and Community Impact**

### **A. From Applicant**

No information was provided by applicant specific to this section.

### **B. CONU Discussion**

#### **i. Criteria**

Ensures high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers;

**ii. Analysis**

The applicant did not provide any data for this section to determine if this project would ensure high quality outcomes. Again, the MQF has documented that CT imaging in the Portland service area is average as compared to the rest of the State. In addition, the applicant did not provide any market share data for the record to determine what effect if any this project would have on current service providers and/or what the current capacity availability is in regards to existing service providers. Mercy hospital has indicated patients are not waiting for CT imaging studies at their facility and the addition of another CT would negatively effect them.

**iii. Conclusion**

CONU recommends that the Commissioner determine that this project does not ensure high-quality outcomes and has not demonstrated that it will not affect the quality of care by existing service providers.

**VIII. Service Utilization Impact****A. From Applicant**

No quantifiable data specific to this section was provided by applicant.

**B. CONU Discussion****i. Criterion**

Does not result in inappropriate increases in service utilization, according to the principles of evidence-based medicine adopted by the Maine Quality Forum, as established in Title 24-A, section 6951.

**ii. Analysis**

The MQF provided information on this application for the record. Created under Dirigo, the Forum has adopted the national consensus standard definition of healthcare quality. To be quality care, care must be safe, timely, effective, and patient centered. As stated earlier, the MQF had concerns about increases in service utilization. InSight received a copy of the study at the technical assistance meeting held by the CONU. According to the MQF, CT scans were at the statewide average in the Portland area. CT services do fall in the category of supply sensitive care where utilization of services is in part driven by supply. InSight did not address what procedures they have in place or additional procedures they are committed to put in place to ensure that inappropriate scanning does not take place. In light of two additional CT scanners being added in the Portland service area, by current service providers, the applicant has not demonstrated that this project will not result in inappropriate increases in service utilization.

**iii. Conclusion**

The CONU is unable to determine from the information provided by the applicant whether this project will result in inappropriate increases in service utilization from this provider.

**IX. Other****i. Criterion**

Can be funded within the Capital Investment Fund. 22 M.R.S.A. Sec. 335 (7).

Capital Investment Fund (CIF): “One of the constraints the law puts on Certificate of Need is an annual limit on the dollar value of the projects approved by the Department of Health and Human Services, which are allowed to go ahead with implementation” Maine State Health Plan, (pg 50). CON review criteria requires that a project can be funded within the limits of the CIF. The CONU recommends that this project not be approved so no charge to the Capital Investment Fund is warranted.

**X. Timely Notice****A. From Applicant****B. CONU Discussion**

Letter of Intent filed:	December 28, 2006
Subject to CON review letter issued:	January 16, 2007
Technical assistance meeting held:	March 14, 2007
CON application filed	March 21, 2007
CON certified as complete:	March 21, 2007
Public informational meeting held:	April 17, 2007

As listed above, all the necessary paperwork was filed on a timely manner to be placed into the 2007 Small Non-Hospital Review Cycle

**Conclusion**

The CONU has determined a timely notice was given.

**XI. Findings and Recommendations**

Based on the preceding analysis, the CONU makes the following findings and recommendations:

- A.** That the applicant is fit, willing and able to provide the proposed services at the proper standard of care as demonstrated by, among other factors, whether the quality of any health

care provided in the past by the applicant or a related party under the applicant's control meets industry standards;

- B.** The economic feasibility of the proposed services has not been demonstrated in terms of the:
- 1) Capacity of the applicant to support the project financially over its useful life, in light of the rates the applicant expects to be able to charge for the services to be provided by the project; and
  - 2) The applicant's ability to establish and operate the project in accordance with existing and reasonably anticipated future changes in federal, state and local licensure and other applicable or potentially applicable rules;
- C.** That there is a public need for the proposed services has not been demonstrated by certain factors, including, but not limited to;
- 1) the project will not substantially address specific health problems as measured by health needs in the area to be served by the project;
  - 2) the project will not have a positive impact on the health status indicators of the population to be served;
  - 3) the services affected by the project will be accessible to all residents of the area proposed to be served; and
  - 4) the project will not provide demonstrable improvements in quality and outcome measures applicable to the services proposed in the project;
- D.** That the proposed services are not consistent with the orderly and economic development of health facilities and health resources for the State as demonstrated by:
- 1) The impact of the project on total health care expenditures after taking into account, to the extent practical, both costs and benefits of the project and the competing demands in the local service area and statewide for available resources for health care;
  - 2) The availability of State funds to cover any increase in State costs associated with utilization of the project's services; and
  - 3) The likelihood that more effective, more accessible or less costly alternative technologies or methods of service delivery may become available;

In making a determination under this subsection, the commissioner shall use data available in the state health plan under Title 2, section 103, data from the Maine Health Data Organization established in Title 22 Chapter 1683 and other information available to the commissioner. Particular weight must be given to information that indicates that the proposed health services are innovations in high quality health care delivery, that the proposed health services are not reasonably available in the proposed area and that the facility proposing the new health services is designed to provide excellent quality health care.

- E.** That the project is not consistent with the State Health Plan;

- F.** That the project does not ensure high-quality outcomes and has not demonstrated that it will not negatively affect the quality of care delivered by existing service providers;
- G.** That the project does not demonstrate that it will not result in inappropriate increases in service utilization, according to the principles of evidence-based medicine adopted by the Maine Quality Forum; and
- H.** That the project can be funded within the Capital Investment Fund.

**Conclusion**

CONU recommends that the Commissioner **DISAPPROVE** this project.